Common Services for Borrowers (CSB)

Synopsis of the Draft Integrated Statement of Objectives

FSA Overview

The U.S. Department of Education, Office of Federal Student Aid (FSA) "helps put America through school" and is the office within the Department of Education responsible for managing the federal student aid programs and processes. Challenged by Congress to integrate its many disparate legacy systems, improve service to its customers, reduce its operational costs, ensure program integrity, and increase accountability and flexibility in the systems and processes that manage the federal loan program, FSA was designated the first Performance-Based Organization (PBO) to manage for results.

FSA's business challenge is articulated in the Chief Operating Officer's objectives, which, in turn, drive the work of FSA:

- FSA Systems Integration and Technology Solution Initiatives
- Improve Program Integrity
- Reduce Cost
- Improve Human Capital Management
- Improve Products and Services

One of the more recent initiatives that FSA has undertaken is the Common Services for Borrowers (CSB) initiative, which involves the integration of the Repayment, Consolidation, and Collections business functions. These three functions - Repayment, Consolidation, and Collections - are managed within FSA through the Student Credit Management (SCM) team. The CSB solution must be able to support the entire SCM portfolio, which consists of over 10 Million borrowers, 21 Million loans and \$100 Billion in assets.

Common Services for Borrowers (CSB) Initiative

FSA's Student Credit Management Leadership developed the Mission and the Vision for the CSB project.

CSB Mission "We Help America Manage Student Aid Obligations"

CSB Vision "To improve the management of student aid obligations through efficient use of

timely and accurate information, common functions, and shared data"

The Core Team also identified the following strategic objectives of the CSB initiative:

- Optimize Portfolio Management
- Integrate Systems and Data
- Realize Operational Efficiencies
- Improve Tools for Servicing Student Aid Obligations
- Create Adaptability and Flexibility in Systems
- Improve Customer Service and Increase Self-Servicing Opportunities.

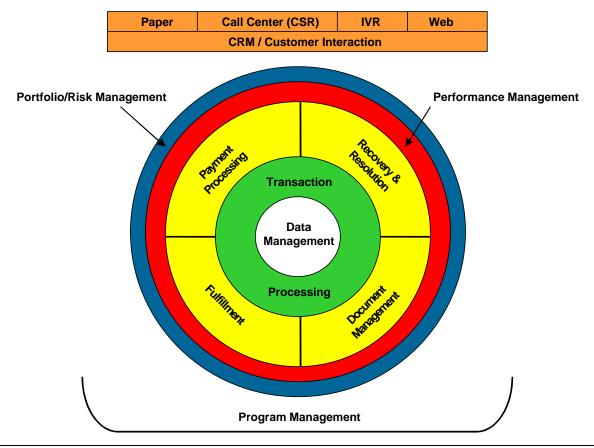
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In an effort to use industry best practices and improve the management of these assets, FSA concluded that a number of common functions within SCM can be streamlined, consolidated, and reengineered to deliver significant improvements in managing student aid obligations from both a cost and borrower satisfaction perspective. FSA believes that at the present time there is an opportunity to procure a vendor(s) to perform the operations, customer interactions and software applications maintenance for an integrated solution across all three business areas (Repayment, Consolidations and Collections). In order to manage the costs associated with portfolio growth, the CSB solution must provide innovative measures to ensure portfolio growth is not the key driver of total cost. Vendor incentives must be based on performing assets, rather than transaction or activity based delinquent incentives. Costs may also be managed through redistribution of customers to self-service options.

CSB must be able to maintain and service current, delinquent, and defaulted student aid obligations. The CSB integrated solution will include all necessary resources required to support the servicing, consolidation and collection of federal student aid obligations. The CSB solution will not include aid awareness, FAFSA processing, loan origination, or any other functions not directly related to the post-enrollment activities of loan consolidation, servicing and recovering federal student aid obligations. However, the CSB solution must fully integrate and be compatible with these and other FSA business functions that support the management of student aid obligations.

CSB End State Vision

The following diagram depicts the targeted end state vision for an integrated CSB environment:



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Data Management

Effective Data Management will be an integral part of the CSB solution and will be key to its success. Data Management consists of all activities associated with the receipt, processing, storage and dissemination of CSB information, all in accordance with FSA standards and guidelines. The accuracy and consistency of the data must be both reconcilable and auditable, thereby allowing the CSB solution to serve as a principal System of Records. Data Management must also include various reporting (to FSA) requirements, a detailed security plan, interfaces with all existing trading partners, a well-planned data archiving and storage strategy, and a comprehensive disaster recovery plan.

Transaction Processing

For every business event, a transaction will be processed. Transactions will include, but will not be limited to:

- Loan Booking and Set-up
- Financial Transactions
- Demographic Updates
- Status Updates
- Entitlement Reviews/Decisions
- Generate and Track Correspondence
- Apply Borrower Payments, Third Party Payments, and Process Exceptions
- Data Exchange and Maintenance

Due to the size of the SCM portfolio, the CSB solution will need to process a significant volume of both batch and online transactions from multiple sources, including CSRs, the Internet, and trading partners. All interface transactions must meet and align with other FSA standards

Payment Processing

Payment Processing consists of methods for the receipt and processing of both paper and electronic payments. A method will be established to handle all types of exception processing to ensure the timely posting of exception payments. The posting of processed payments will include application of payments to fees, interest, principle, retroactive processing, or payment reapplication to ensure that borrower balances are accurate. All payments will require sending timely and accurate information to the FSA's Financial Management System (FMS) according to FMS and FSA standards.

Fulfillment

The CSB Fulfillment solution must provide prompt printing and distribution of CSB correspondence, both in paper and electronic formats. This includes the preparation, storage, and distribution of inserts, stuffers, brochures, and envelopes, etc. Detailed records of correspondence sent to borrowers will exist. This detailed record will provide an accurate history for customer service and portfolio management purposes.

Document Management

CSB will provide a repository for all images and warehousing for all student aid documentation, whether paper or electronic. The image repository will enable real time access to all images. The CSB solution will allow for workflow processing by intelligently routing document images to the appropriate processing locations thereby avoiding lost images and ensuring timely processing.

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CSB must comply with FSA document retention policies. This component will encompass the execution of the data archiving and storage strategy established as a part of the Data Management business function.

Recovery and Resolution

There must be an effective method in place for recovering outstanding debts and resolving any issues related to such outstanding debts.

The outsourcing of collections on defaulted loans to private collection agencies (PCAs) is a mandated FSA process that must continue on in the CSB solution. To that end, the CSB provider must provide a system solution to manage the entire process associated with the allocation of defaulted loans, and similar activities, to PCAs. All defaulted loans assigned to PCAs must be tracked and pre-defined performance measures captured in order to determine the success of the assignment as well as the success of the particular PCA. Any defaulted borrower should be given the option to rehabilitate or consolidate their defaulted loan. The ability to use appropriate enforcement tools is required, including Administrative Wage Garnishment (AWG), Treasury Offset Program (TOP), Federal Salary Offset (FSO) program, and Department of Justice referrals, among others.

The CSB solution must provide a strategy for returning delinquent loans to a current status. This may possibly be accomplished through the use of third party assignments. An integrated borrower history must be maintained throughout the use of default aversion tactics including phone calls and statements to delinquent borrowers, the processing of entitlements for those who are eligible, and grace and repayment counseling, to name a few. Various repayment plans and options, including Income Contingent Repayment (ICR) are required.

The CSB solution must support the US Department of Justice, or other operating partner(s), in the processing of general bankruptcy claims, litigation support, and adversary proceedings.

Customer Relationship Management (CRM)/Customer Interaction

CRM/Customer Interaction tools and processes are integral to CSB. These processes must include inbound and outbound phone calls, all incoming and outgoing paper and electronic mail, an Interactive Voice Response (IVR) system and a CSB Website.

The CSB solution must have both formal and informal customer satisfaction measurement and reporting capabilities through surveys, feedback solicitation, and other methods. The CSB vendor must provide the necessary hardware, software, telecommunications, and staff to operate a call center environment. The toll-free number(s) used by the CSB call center(s) must also accommodate a customer friendly IVR for customer service and cost efficiencies.

The CSB solution will include a CSB Website that integrates all components of the End State Vision for the entire CSB portfolio. The CSB Website must support an intelligent, user-friendly, and fully e-enabled environment in both English and Spanish. The website must allow customers to retrieve information, process transactions, receive answers to questions, and resolve issues without the need of a phone call. The CSB Website will comply with all appropriate federal regulations, including Section 508 of the Rehabilitation Act, in addition to using FSA's PIN functionality for customer authentication.

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The CSB Website will also comply with FSA's Security Policies and include multiple customer access points and security levels, based on the customer role. Examples of website customers/roles include:

- Borrowers
- Parents
- Schools
- FSA Personnel (Ombudsman, Client Account Managers, Customer Service Representatives, etc.)
- Guaranty Agencies (GAs)
- Private Collection Agencies (PCAs)
- Others

Performance Management

The CSB vendor will commit to specific performance standards and metrics for achieving desired business outcomes and ensuring quality performance. FSA will regularly review the business outcome metrics and develop and execute action plans to ensure continuous improvement. The CSB solution will include operational metrics supporting the achievement of FSA's goals.

The CSB solution must also ensure timely responses to the different entities (borrower, PCAs, GAs, schools, trading partners, etc.) that have relationships with SCM. This also includes audit requests from IG, GAO, external auditors and requests received as a result of the Freedom of Information Act (FOIA).

Portfolio/Risk Management

CSB must provide the ability to analyze portfolio data across all functions and to proactively manage adjustments to operations and procedures to create positive change. Analyzing and mining the portfolio data can be done using FSA's existing Credit Management Data Mart (CMDM). The objective of data mining is to help mitigate the risk of default and to improve the management of federally insured assets.

Program Management

The CSB solution must include methods to provide the necessary information to policy makers in the Office of Postsecondary Education (OPE) and the Department of Education on issues impacting FSA activities.

Additional Requirements

The following additional requirements are also needed to support CSB:

- A Phased Implementation Plan, including a Data Migration Plan
- Use of FSAs Virtual Data Center (VDC)
- Application and System Software Maintenance
- Security
- Quality Assurance (QA)
- Training
- Documentation
- Federal Contracting Capabilities
- End of Contract Transition Plan

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